

Consumer Debt Hits Record High: Can The Tide Be Turned?

In November 2006, United States consumer debt reached an all-time high of \$2.39 trillion¹. Real estate foreclosures are soaring nationwide², millions of jobs are being sent abroad, and pensions are being cut at iconic American companies such as Delta Airlines³.

On the surface, it appears that our standard of living has also reached record highs—we are surrounded by the trappings of luxury: expensive cars, big houses, flat-screen TVs, and fashionable clothes. In reality, the cars are leased, the big homes come with big mortgages, and the expensive TVs and fashionable clothes are purchased with credit cards. Americans are under a level of financial stress that hasn't been seen for decades.

What has caused this explosion in debt?

In the past, Americans were taught to avoid debt, but lately we have been persuaded and conditioned to embrace it. The process starts early—teenagers are offered “pre-approved” credit cards although their only income is from babysitting or mowing their neighbor's lawn⁴. We are encouraged to borrow money to buy everything from groceries and gasoline to stainless-steel appliances and vacation homes. Debt has become an accepted part of our everyday lives, and it has grown to the point where millions of Americans are struggling to pay their bills.

“People don't realize that borrowing money subjects them to financial servitude—a form of slavery—in which their bills determine when and how much they work, often at jobs they don't enjoy,” comments Michael Mihalik, author of *Debt is Slavery: and 9 Other Things I Wish My Dad Had Taught Me About Money*. “We no longer learn the basic lessons about money and we are paying the price.”

According to Mihalik, the reason behind this explosion of debt is that our view of money has changed.

“If we can change the way we *think* about money, we can change our actions,” he explains. “That's how I personally dug myself out of paralyzing debt.”

When he was an engineering student at the University of Washington, Mihalik accumulated a huge amount of debt using credit cards to finance a lifestyle he couldn't afford. Even after he graduated and began working as an aerospace engineer, Mihalik's debt exploded out of control. “I lived the high life—ski trips to Oregon and Whistler, expensive dinners to impress the girls—all courtesy of Visa and Discover,” he laughs. He tried to

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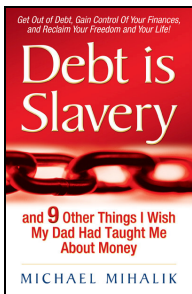
budget, but “every time I had extra money, either an unexpected bill would wipe out the surplus, or Mt. Bachelor would get buried in powder.”

Mihalik discovered that before he could change the way he handled money, he had to change the way he *thought* about money. “I came up with 10 basic ideas and rules about money that literally transformed my life,” he says. Those 10 rules allowed him to regain control of his finances and pay off his debt in a little over a year.

“I live by those same rules today. They have helped me live through two other rough periods in my life without changing my lifestyle or accumulating more debt,” says Mihalik. “Today, I’m debt-free and prosperous. I empathize with anyone who’s struggling with debt because I’ve been there, and I know that they can recover, because I did. But first, they have to change the way they *think* about money.”

1. Federal Reserve Statistical Release G.19. Consumer Credit. 8 Jan. 2007
2. “Foreclosures Surpass 1 Million Mark in October”. [RealtyTrends](#) Dec. 2006
3. Banstetter, Trebor. “Pension Shocker: Many retired Delta pilots are forced to cope with a sharp drop in income.” [Fort Worth Star Telegram](#) 15 Oct. 2006
4. Houtz, Jolayne. “Look who’s whipping out the credit card: high schoolers.” [Seattle Times](#) 23 Apr. 2006

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